

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01 ABF-01 FS-01

L-03 H-02 FEA-01 CEA-01 STR-04 SS-15 NSC-05 NEA-10

EA-09 /123 W

----- 113075

R 151917Z SEP 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2883

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS BONN 15123

DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: EMMINGER ON THE DOLLAR

1. IN AN ARTICLE ORIGINALLY PUBLISHED ON AUGUST 26  
BUT JUST NOW GIVEN WIDER CIRCULATION IN THE BUNDESBANK  
EXCERPT OF PRESS ARTICLES, BUNDESBANK VICE PRESIDENT  
EMMINGER COMMENTS EXTENSIVELY ON THE STRENGTH OF THE  
DOLLAR WHICH HE SEES MAINLY DUE TO INTEREST RATE  
DIFFERENTIALS AND THE UPTURN IN THE US BUSINESS CYCLE  
AHEAD OF THE EUROPEAN ONE. EMMINGER POINTS OUT THAT  
THE STRENGTHENING OF THE DOLLAR HAS ADVANTAGE FOR  
GERMAN EXPORTERS, THUS FOR EXAMPLE VOLKSWAGEN CAN  
PROFITABLY SELL ITS NEW MODELS IN THE US AT ANY RATE  
ABOVE \$1 EQUALS DM 2.40 BUT THE "BUG" ONLY AT  
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\$1 EQUALS DM 2.60 AND THE SALE OF STEEL PRODUCTS IN

THE US CAN ONLY BE UNDERTAKEN AT A LOSS AT ANY  
EXCHANGE RATE LESS FAVORABLE THAN \$1 EQUALS DM 2.40.

2. EMMINGER POINTS OUT THAT THE STRENGTH OF THE  
DOLLAR VIS-A-VIS THE DM, HOWEVER, ALSO HAS DISADVANTAGES  
IN TERMS OF HIGHER GERMAN IMPORT PRICES AND CONTINUES:  
"THE INCREASE IN THE COST OF IMPORTS AND THE RESULTING  
NEGATIVE EFFECTS ON THE DEVELOPMENT OF PRICES, HOWEVER,  
SETS LIMITS TO THE RISE (HOEHENFLUG) OF THE DOLLAR  
WHICH PROVOKES RESISTANCE (GEGENHALTEN) BY CENTRAL  
BANKS. POSSIBLY THE DOLLAR RATE OF (\$1 EQUALS) DM 2.60  
WILL PROVE ITSELF IN THIS REGARD AS SOUND BARRIER ...".

3. EMMINGER CONCLUDES THAT IN THE MEDIUM TERM ONE OF  
THE TWO MAIN FACTORS WHICH CAUSED THE QUICK RISE OF THE  
DOLLAR, NAMELY, THE INTEREST RATE DIFFERENTIAL, WILL  
LOSE IN WEIGHT SINCE THE US PRIME RATE MAY FALL  
AGAIN. BUT AS LONG AS THE EUROPEAN BUSINESS CYCLE  
LAGS BEHIND THE US ONE, THE DOLLAR IS LIKELY TO  
MAINTAIN ITSELF ON ITS PRESENT LEVEL. ACCORDING TO  
EMMINGER, A STRONG DOLLAR IS TACTICALLY CONVENIENT  
TO THE US IN VIEW OF THE NEGOTIATIONS THIS  
FALL WITH THE OPEC COUNTRIES CONCERNING OIL PRICES.  
HE CONCLUDES: "AT THE MOMENT MUCH IS TO BE SAID IN  
FAVOR (OF THE PROPOSITION) THAT AT LEAST UNTIL THE  
END OF THE YEAR THE DOLLAR WILL NOT FALL BACK BELOW  
THE (\$1 EQUALS) DM 2.50 RATE.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL STABILITY, DOLLAR, FOREIGN EXCHANGE RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BONN15123  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750319-1093  
**From:** BONN  
**Handling Restrictions:** n/a  
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**Line Count:** 89  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** RowellE0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 JUN 2003 by MaustMC>; APPROVED <02 FEB 2004 by RowellE0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EMMINGER ON THE DOLLAR  
**TAGS:** EFIN, GE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006